

US Department of the Treasury

Community Development Financial Institutions Fund

Session II

CDFI fund

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What Will The Presentation Cover?

- ❖ CDFI Fund Mission and Programs
- ❖ CDFI Certification & Eligibility
- ❖ Funding Components and Process

CDFI fund

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What Will The Presentation Cover?

- ❖ Electronic Application & Help Desk Demonstrations
- ❖ New Initiatives
- ❖ Award Monitoring & Reporting

CDFI fund

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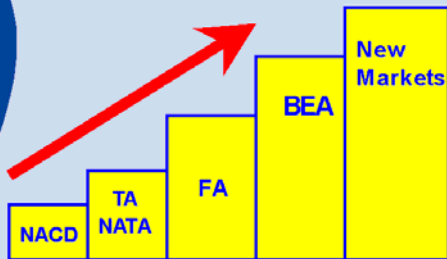
CDFI Fund Mission

To expand the capacity of financial institutions to provide capital, credit, and financial services in underserved markets



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Continuum of Growth



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Bank Enterprise Award Program

Purpose: Provide financial incentives for FDIC-Insured Banks and Thrifts to increase:

1. Financial Support of CDFIs
2. Lending, investments, and services in *Distressed Communities*



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BEA Program

- ❖ Maximum award amount: \$1.5 million
- ❖ Anticipate awarding approximately
 - \$17 million: FY 2003
 - \$8 million: FY 2004

New Eligibility Requirements for CDFI Partners

Total Assets less-than:

- ✓ \$500 million for CDFI banks,
- ✓ \$25 million for CDFI credit unions, and
- ✓ \$25 million for non-regulated CDFIs.

New Eligibility Requirements for CDFI Partners

CDFI Partner Limits provides:

- consistency with the "continuum of growth" philosophy, and
- increased targeting to CDFIs most in need of award incentive

New Eligibility Requirements

Certified CDFI applicant prohibited from receiving BEA credit for financial assistance provided to a *CDFI Partner* that is an FDIC *Insured Depository Institution* or holding company.



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Application Process

- ❖ Application due after the end of AP
- ❖ 6-Month Option:
 - Applications due July 17, 2003
- ❖ 12-Month Option:
 - Applications due February 25, 2004



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CDFI Certification and Eligibility



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What is a CDFI?

An entity that does *all* of the following:

- ❖ Primary Mission of community development;
- ❖ Serves an eligible Target Market;
- ❖ Predominantly a Financing Entity;

What is a CDFI?

(CONT'D)

- ❖ Provides Development Services;
- ❖ Accountability to the target market; and
- ❖ A Non-Government Entity.

Benefits of CDFI Certification

- ❖ Provides access to the CDFI Program
- ❖ Provides access to the BEA Program
- ❖ Provides access to CDE Certification

Can a CDFI Serve Individuals Other Than Tribal Members?

Yes, if:

- ❖ >60% of its activities benefit an eligible TM; and
- ❖ 50% benefit a *Native American, Alaska Native, or Native Hawaiian* market (more than one Tribe permissible)



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Can a Tribe Own/Operate a CDFI?

- ❖ Tribal governments are eligible to apply for NACD funds to help create a CDFI.
- ❖ Control by a tribe does not trigger non-government entity status.



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Can a CDFI be an Arm of a Tribal Government?

A certified CDFI must have the plurality of its activities devoted to arms-length financing activities.



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Deadlines: Certification Application



❖ FA Component: March 7, 2003

1. Organizations not already certified and
2. CDFIs whose certification expires on or before June 30, 2003

❖ TA-NATA: w/ funding application

❖ NACD Program: Not Applicable



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Online Help Desk Demonstration



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Technical Assistance Component

Purpose: To provide grants to build the capacity of start-up and early-stage CDFIs



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TA Component

- ❖ Maximum award amount: \$50,000
- ❖ Anticipate awarding approx. \$10 million
- ❖ Certified and soon to be certified CDFIs
 1. Certified by 1/31/05 if apply by 5/31/03
 2. Certified by 1/31/06 if apply by 5/31/04



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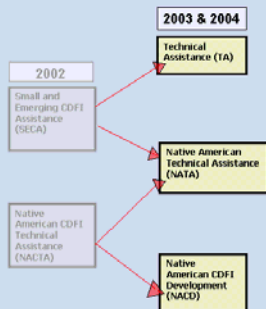
FY 2003 Priorities

- ❖ Focus on start-up, small applicants
- ❖ Non-prior awardees prioritized
- ❖ Previous awardees must have
 - ✓ fulfilled all reporting requirements
 - ✓ disbursed on previous awards



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Key Changes for FY 2003



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Application and Review Process

- ❖ Rolling application and review process until 5/31/04
 - Fund website to provide update on funds available throughout the round
 - Funding may run-out before 5/31/04
- ❖ Electronic application may be added

Application and Review Process

- ❖ Market Need and CDFI Strategy - 20 pts.
- ❖ Management – 20 pts.
- ❖ Financial Health & Resources – 20 pts.
- ❖ Community Development Performance & Effective Use of Technical Assistance – 40 pts.

Market Need & CDFI Strategy

- ❖ Market Economic Distress
- ❖ Need and demand for product/services
- ❖ Appropriate products/services provided
- ❖ Management



Management

- ❖ Org. chart, resumes, & narrative
- ❖ Staffing Plan
- ❖ Portfolio Quality – if have existing loans
- ❖ Related TA request

Financial Health & Resources

Documents to submit:

- ❖ Annual financial statements
- ❖ Explain negative trends & events
- ❖ Projected Resources Chart

Community Development Performance & Effective Use of TA

- ❖ Projected activities within TM
- ❖ Extent activities will promote CD
- ❖ Extent TA needed to achieve CBP
- ❖ TA will enable applicant better serve

TM and achieve CD impact

Eligible Uses of TA

- ❖ Consulting Services
- ❖ Staff Salary
- ❖ Technology
- ❖ Training
- ❖ Other

TA Examples: Consulting

- ❖ Development of market analysis
- ❖ Design of a new loan product
- ❖ Development of capitalization plan
- ❖ First time audit



Eligible TA Uses: Staff Salary

- ❖ Increase capacity to serve TM
- ❖ Build capacity to achieve CBP
- ❖ For activity otherwise contracted
- ❖ For a specific task by qualified staff
- ❖ Must occur after notified of TA award

New Use of TA

- ★ Fund may consider non-recurring staff salary uses
- ★ Non-recurring staff salary may be considered for applicants in operation
≤ 24 months at the time of application



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Eligible TA Uses: Technology

- ❖ To acquire new technology or to enhance existing technology for organizational capacity.
- ❖ Requests must be sensible
(e.g., two staff members, request two new desktop computers)



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Eligible TA Uses: Training

- ❖ For staff, management, or board
- ❖ Reasonable travel costs eligible
- ❖ Should be completed within 2 years
of receiving an award



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Ineligible Uses of TA

- ❖ Recurring or Operating Expenses
(e.g., rent, salaries [non start-ups], printing)
- ❖ Annual financial audit expense
(except first one)
- ❖ Funding proposals & other fundraising
- ❖ Overseeing consultants' activities

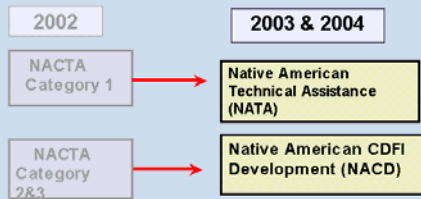
Native American Technical Assistance Component (NATA)

Purpose: To expand access to credit and financial services in Native American, Alaska Native, and Native Hawaiian communities.

How is “*Native American*” defined?

- ❖ **American Indian, Native American or Alaska Native**
- ❖ **Native Hawaiian**
- ❖ Does not have to be reservation based

Key Changes for FY 2003



- ❖ NATA enhances capacity of existing Native CDFIs
- ❖ NACD creates new CDFIs in NA, AN, and NH Communities

A Parallel Funding Component

TA and NATA same in:

- ❖ Program design
- ❖ Application scoring
- ❖ Eligibility requirements
except for TM

A Parallel Funding Component

NATA Component specifically for applicants that direct $\geq 50\%$ of activities to Native American, Alaska Native and Native Hawaiian communities

NATA Component

- ❖ The maximum award amount is \$100,000 per Awardee
- ❖ Up to \$3 million expected for FY 2003 NATA awards

Application and Review Process

- ❖ TA, NATA & NACD applications accepted and reviewed on rolling, first-in, first-out basis until 5/31/04
- ❖ Electronic version may be added

Native American CDFI Development (NACD) Program

Purpose: To expand access to credit and financial services in Native American, Alaska Native, and Native Hawaiian communities. To assist Tribes, Villages, Non-Profits and others to establish CDFIs serving these communities.

NACD Program

- ❖ Expected awards in:
 - FY 2003: \$3M
 - FY 2004: \$1.5M
- ❖ Up to \$100,000 per award
- ❖ Up to 3 yrs. to certify CDFI



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NACD Program: Eligibility

Category 1: Tribes, Tribal entities and non-profits that primarily serve Native American, Alaska Native and/or Native Hawaiian communities



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NACD Program: Eligibility

Category 2: TA or other providers with specialty in economic development in NA, AN, and NH. If provider doesn't primarily serve NA, AN, and NH must have *Native American* partners.



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NACD Program: Eligibility

New CDFIs must become certified by

- ❖ 1/31/06 for applications received by 5/31/03
- ❖ 1/31/07 for applications received 6/1/03 thru 5/31/04



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Application and Review Process

- ❖ Market Need & CDFI Strategy – 25 pts.
- ❖ Management – 25 pts.
- ❖ Financial Health & Resources – 10 pts.
- ❖ Community Development Performance & Effective Use of TA – 40 pts.



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Market Need and CDFI Strategy

- ❖ Economic distress in market
- ❖ Need for products and services
- ❖ Competitor analysis
- ❖ Description of customers
- ❖ Org. structure, mission, & board
- ❖ Related TA request



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Management

- ❖ Org. chart, resumes, & narrative
- ❖ Staffing Plan
- ❖ Portfolio Quality – if have existing loans
- ❖ Related TA request

Financial Health & Resources

- ❖ Applicant's financial statements
(Tribes only asked to include financial statements from loan programs they operate).
- ❖ Funds Available to Lend
- ❖ Other Resources

Community Development Performance & Effective TA Use

- ❖ Projected activities
- ❖ Projected impact
- ❖ Applicant track record in CD and/or finance
- ❖ How TA requested will enable creation of successful CDFI

NATA or NACD?

- ❖ NATA: If CDFI is incorporated or chartered and needs TA to begin operations
- ❖ NACD: If CDFI is not incorporated, a “sponsoring” org. should apply for NACD on its behalf.



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Post Award Process and New Initiatives



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Post Award: Reports

- ❖ Annual Report:
 - ✓ Narrative on activities
 - ✓ Performance Goals
- ❖ TA Awardees:
 - ✓ Narrative on uses of funds
 - ✓ Schedule 269-A
- ❖ Audited Financial Statements



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Post Award: Research

Annual Survey:

- ❖ Required of all certified CDFIs by 2003
- ❖ Collects data on financial position, staffing, and management information
- ❖ Collects data on development services



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Native American Training Program

- ❖ Training program to assist *Native American* communities to create CDFIs.
- ❖ Vendor selections expected in 2/2003
- ❖ Introductory course to begin Fall 2003
- ❖ In-depth institute to begin early in 2004



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Contact the CDFI Fund

Email Address:

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www.cdfifund.gov

Phone:

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202.622.6355

Facsimile:

202.622.7754



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